

Statewide Waiver Pilot Evaluation and Implementation Plan September 2004

**Prepared by Joi E. Simpson
Personal Services Program Coordinator**

Background

The Division of Human Resources (DHR) is delegated responsibility for the personal services contracts program by the state personnel director and reviews an average of 2500 to 3000 contracts and purchase orders annually. In addition, under CRS 24-50-509 and Director's Administrative Procedure P-10-6, the program issues personal services program waivers to departments and institutions of higher education (departments) for specific services, dollar levels, and number of vendors. This allows departments to bypass DHR's personal services review, provided the services meet conditions established in the program waivers.

In 2002, Chapter 10 of the Director's Administrative Procedures was streamlined to create further efficiency and effectiveness in the personal services review process: (1) establishing a \$5000 threshold for minor transactions, e.g., catering services and other services where review added no value to the contracts process; (2) expansion of the definition of scope; and, (3) the mandatory pre-approval of all solicitations prior to contract award.

On October 1, 2003, DHR embarked upon a statewide waiver pilot program further streamlining the personal services review process. (see Appendix A). Departments participating in the pilot program represented general government departments and higher education institutions, totaling 18 departments. The pilot program will conclude on October 1, 2004.

Goals for the Pilot Program

1. DHR focus on contracts that have a direct impact on the state personnel system.
2. DHR monitor, audit, and consult with departments on personal services contract activities and focus on statewide policies.
3. Implement a process that expands on the current waiver process that creates further efficiency and effectiveness in the review process while ensuring the same quality and compliance with state statutes at the department level.
4. Should the pilot prove successful, pursue full ongoing implementation of the new waiver process for all state departments.

Pilot Program Summary

DHR currently utilizes personal services program waivers for specific services, e.g., consulting services, IT services, and maintenance contracts. These program waivers are issued to each department upon written request. The pilot program broadened the current practice from departmental personal services program waivers to a statewide waiver for

all departments, based on statutory criteria instead of specified services. Specifically, any contracts that can be approved under CRS 24-50-504 (2)(b) through (2)(h) and (3) were covered under the broader statewide waiver during the pilot and could be processed by designated HR staff within a department, eliminating four days in the central review process, duplicative reviews, and reducing the amount of paper work. Any personal services request that had a direct impact on state personnel system employees, as established under CRS 24-50-503, and those approvable with a cost comparison continued to be reviewed and approved by DHR. Further details on the waiver conditions are outlined in Appendix B.

Summary of Issues

Throughout the entire pilot program, DHR staff evaluated and modified policies related to the statewide waiver process. As part of this process, a forum was established to address any issues or problems related to the personal services contracts process. The issues and results are summarized below. In addition, all forum meeting summaries are included in Appendix C.

Issue One

In the beginning of the pilot, several of the departments did not fully understand the expectations surrounding the existing DPA approved program waivers and their ability to grant their own internal program waivers under the pilot. In addition, some were unsure of the necessity to review their total contracting needs in-house and be able to understand potential problem areas. As a result, departments feared there would be a major increase in workload.

Resolution

DHR staff clarified the expectations of the pilot program. The intent was not to increase workload but continue to ensure the integrity of personal services contract review at the department level. To accomplish this, DHR staff provided departments with general guidelines on how to establish department waivers, minimum requirements for conducting an assessment on the services that should or should not be waived, and sample documents. In addition, DHR extended the existing DPA program waivers through June 30, 2004, to allow departments more time to conduct assessments. Departments in turn agreed to perform an analysis of contracting needs and issues, furnish DHR a copy of the results of that analysis, and provide a draft of their internal program waivers. Most of the departments chose to issue internal personal services program waivers, while a few of the smaller departments opted to review all personal services requests.

Issue Two

Departments needed assistance in formulating review processes and procedures for personal services contracts. In addition, departments needed to understand the evaluation criteria that would be utilized when DHR conducted audits of contracting activities.

Resolution

During a forum meeting, various departments shared information on processes for tracking personal services contracting activity and methods for managing personal services contract reviews. In addition, DHR staff shared experiences and problems encountered during the review process and ways to avoid pitfalls, e.g., tracking independent contractors and compliance with CRS 24-18-201.

Issue Three

There was some confusion about what documents HR professionals were required to review and sign. In addition, departments identified problems with the *Certification for Personal Services Modification* form. This form does not provide enough information for HR staff to make a determination if the request was in compliance with the original approval.

Resolution

DHR staff clarified documents needing HR signature, which include all *Certification for Personal Services Agreement* forms, the *Certification for Personal Services Modification* forms, CLI2 screen print outs that are routed with contracts, issuing of pre-approval documents, and the requirement that HR Administrators issue internal program waivers.

Based on comments from the forum, the *Certification for Personal Services Modification* form was altered to make the form more user-friendly. Upon further discussion, the forum and DHR staff determined that this form creates more confusion and it would be more effective to add a section on the long form that identifies a contract as an amendment or modification.

Issue Four

The forum discussed issues surrounding the need to attach a lengthy program waiver to each contract when routing through the central review process. The concern was that, due to the length of some departments' waivers (15+ pages), excessive paper is being utilized. There was also a question regarding the need for central approvers to sift through the waivers to determine compliance. One department suggested sending all waivers to the central approvers electronically.

Resolution

This issue was brought before the Central Approvers Task Force (CATF) and discussed at length. The CATF is firm in their need to have the waiver attached to contracts routed through the central review process. However, it was deemed acceptable to attach only the applicable waiver category page plus the signature-approval page to contracts routed through the central review process.

Evaluation Process

The evaluation plan used to assess the personal services pilot program was initially developed during the fall of 2003 by staff from the Colorado Department of Labor and Employment (DOLE) and DHR. The proposed evaluation plan was presented to members of the forum during the forum's regular monthly meeting on December 12,

2003. Input of all forum members was obtained both during and after that meeting and incorporated into the final evaluation plan (see Appendix D).

The principal evaluation tool used to assess the value of the statewide waiver pilot program was a questionnaire that was sent to all pilot participants and disseminated to contract and purchasing staff within those departments during June 2004 (See Appendix E). In addition, the evaluators (DOLE staff) reviewed the implementation plans submitted to DHR by departments for the statewide waiver program. The evaluators correlated the relative success and perceptions of the statewide waiver plans with the results of the questionnaires received from each department. For a complete evaluation summary see Appendices F and G.

Recommendations

Participating departments and institutions of higher education are supportive of the statewide waiver pilot program and want it to continue on an ongoing basis. The pilot program proved to provide value to the State by ensuring compliance with state law and freeing DHR staff to focus on training, statewide policies and procedures, and auditing. Thus, staff recommends continuing the statewide waiver process. Staff found that the quality and compliance with state statute have not been compromised and that the training provided to department HR staff has further enhanced the quality of the review.

Implementation

Implementation of the statewide waiver process should begin upon conclusion of the pilot program, October 4, 2004. The following are steps to be taken for implementation.

- The waiver process will continue within the conditions established through the pilot process (See Appendix B).
- Letters will be sent to each department that participated in the pilot program confirming their ongoing participation in the continuing process as established by their policies and processes developed during the pilot program.
- For departments that did not participate in the pilot program, as their current program waivers expire, they will be brought into the new process.
- DHR staff will continue to provide training and guidance will be provided as necessary.
- Updates and document samples for department policy and processes will be posted on the DHR contracts website.
- Update meetings will continue through DHR's HR Network, the Colorado Contract Improvement Team (CCIT), the Procurement Advisory Council (PAC), the Contract Advisory Task Force (CATF), and Personnel Certification Program (PCP) Contracts training.
- Periodic evaluations of the process will be performed, which includes an annual review of the conditions set forth for the statewide waiver and updating as necessary. A program evaluation of how the process is working within departments will also occur through HR audits and customer surveys.